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Protecting Sound Recordings Is Critical to Korea's Musical Future

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To the surprise of people whose image of Korea is that of a rather serious-minded economic powerhouse, Korea is becoming a favorite source for popular music throughout East Asia. Hearing Korean songs ringing in the taxicabs of Beijing or Tokyo is becoming an increasingly common experience. But at the same time, Korea is now a global pace-setter in state-of-the-art technologies -- no more so than in the area of information technologies and telecommunications technologies that enable the rapid and seamless (and enjoyable) dissemination of digital content, including music. Famously, Korea has the highest broadband penetration in the world. In this era of state-of-the-art technology, it is time for Korea to adopt state-of-the-art strategies in protecting the intellectual property rights of its music industry.

Koreans have a right to be proud of the technological developments that have propelled this nation to the front ranks of digital data transmission. As of 2003, over 70% of Korean households are using the Internet via broadband connections, allowing Korean citizens to access information, e-mail and music 24 hours a day.

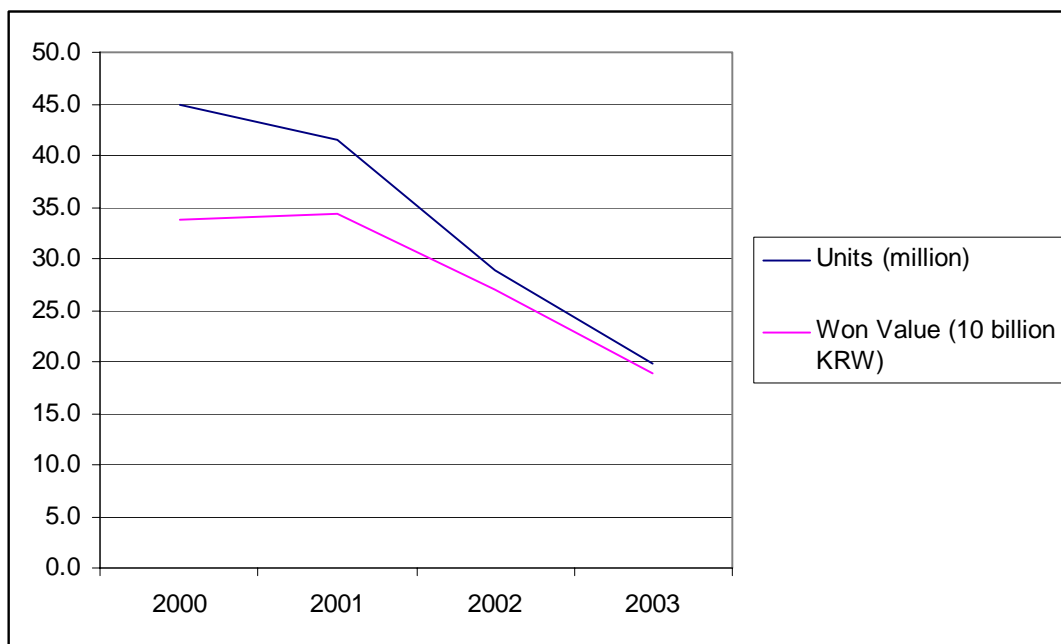
Korea can be equally proud of its talented pop and rock music artists. Korean music and films are rapidly gaining popularity throughout Asia, with singers such as BoA becoming a household name in Japan and Southeast Asia.

Sadly, however, despite their success, Korean musicians and their producers are seeing less and less benefit from the music they produce. Because of the technological advances in Korean society, more and more people are accessing music over the Internet -- without paying for it. The Korean domestic music industry's compact disc (CD) sales have slumped alarmingly over the last three years. Closely tracking -- in reverse -- the

growth of broadband penetration in Korea, sales of sound recordings fell 7.7% percent in 2001, another 31.4% in 2002 and 31.2% percent in 2003.

Audio Recordings Sales Statistics in Korea				
	Units (in 1000's)	Change (%)	Retail Value (in 1000 KRW)	Change (%)
2000	45,019.4	13%	338,926,221.0	15.0%
2001	41,539.2	-7.7%	343,121,587.0	1.2%
2002	28,484.4	-31.4%	270,408,228.0	-21.2%
2003	19,797.9	-31.2%	189,125,708.4	-30.1 %

This graphic decline in sales is shocking given the increased profile and recognition of Korean music artists.



It is widely known that Korea's "netizens" are downloading and creating custom-tailored music CD's over the Internet without paying. The technology is both fun and relatively easy to learn, but this "joy-ride" has taken a dangerous turn for Korea's music industry.

The wellspring of creativity in the music world is based on composers, performers and phonogram producers all collaborating toward the goal of discovering new talent and bringing "hits" to the public. Each leg of this tripod is indispensable to the success of popular music and each should be rewarded accordingly. At present, Korean copyright laws protect only composers -- even though music must be performed to be heard, and it is usually the phonogram producers that pay the performers to play. Korean performers, and the sound recording companies who produce the music, should receive their just due as well. If the music industry revenues continue to free fall, the wellspring of music in Korea could soon begin to run dry.

Since the introduction of Korean pop music into Japan, several Korean artists have sold billions of yen worth of CD's. In Japan, the composers, artists, and sound recording producers all profit from CD sales. In Korea, however, both Korean artists' CDs and those of Japanese, American, Australian and European pop music stars are, according to a Japanese music marketer, "facing a slump due to the fact that many Koreans download music content through the Internet free of charge."

Recently, the U.S. government told the Korean government that the United States' concern over Korea's lack of adequate protection for intellectual property rights is growing. The main reason for the decision to elevate Korea to our so-called "Priority Watch List" was our belief that Korea needs to do more to protect sound recordings, in line with the technologies of this digital age. Since Korea has a high broadband penetration rate, the expectations of her trading partners are high as well. While U.S. music companies are losing revenue due to the inadequacies in Korea's current Copyright Act, it is far and away Korea's own talented musicians, singers and sound recording industry who are the greatest losers.

Artists that compose and produce their own music are certainly at liberty to distribute it on the Internet as they wish. However, the majority of music comes to listeners' ears through professional phonogram producers, and their energy and creativity has a right to be rewarded. This does not mean that on-line distribution of music has to die. Many models are emerging throughout the world to allow the legal purchase on music on-line, for either temporary enjoyment or the creation of a permanent copy. In the United States, both Apple's "iPod" and the new fee-paying version of "Napster" are rapidly gaining popularity. In Korea, "Yooryo" and other

similar fee-based music services already have a significant number of subscribers, indicating that many Koreans realize that art and creativity should come at a price.

Technological progress brings with it commensurate responsibilities. Just as Korean music continues to be on the cutting edge in Asia, Korea needs to be in the lead in protecting its music industry. Without the laws in place that fully protect the rights of performers and phonogram producers, "music for free" can become a habit that is hard to break.